

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION

PERFORMANCE & COMPENSATION COMMITTEE OPEN SESSION

MINUTES OF MEETING

February 10, 2006



The meeting was called to order at 12:00 noon and the following members were present:

Priya Mathur, Chair Robert Carlson George Diehr Kurato Shimada Charles Valdes

<u>Excused</u>

Michael Navarro

Other Board Members Present
James Zerio representing Philip Angelides
Nick Smith representing Steve Westly

AGENDA ITEM 2 – APPROVAL OF THE DECEMBER 9, 2005 PERFORMANCE AND COMPENSATION COMMITTEE MEETING MINUTES

The minutes were adopted.

AGENDA ITEM 3 – SECOND QUARTER STATUS REPORTS ON PERFORMANCE PLANS OF THE CHIEF EXECUTIVE OFFICER, CHIEF ACTUARY, CHIEF INVESTMENT OFFICER AND HIS DIRECT REPORTING STAFF

Chris O'Brien, Chief, Human Resources Division, asked to amend the recommendation on this item to recommend that the Board approve changes in the performance plans of the Chief Executive Officer and the Senior Investment Officer, Fixed Income. The Retirement Application for Disability Accelerated Response, or RADAR, was added to the CEO's list of special projects on his performance plan. The proposed change on the plan of the SIO, Fixed Income, added a factor under *CalPERS Opportunistic Programs* which was inadvertently omitted from his plan

and updated the incentive schedule to be consistent with the Portfolio Manager's plan on the same performance measure.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED** the Committee accept the second quarter status reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer, and his direct reporting staff and approve the changes in the Performance Plans of the Chief Executive Officer and the Senior Investment Officer, Fixed Income.

Mr. Kurato voted no.

AGENDA ITEM 4 – CHANGES IN SENIOR PORTFOLIO MANAGER AND PORTFOLIO MANAGER PERFORMANCE PLANS

In this information item, Ms. O'Brien reported changes that the Chief Executive Officer and Interim Chief Investment Officer approved in the performance plans of the Portfolio Manager, Opportunistic Fixed Income, and Portfolio Manager, Quantitative Strategies.

AGENDA ITEM 5 – 2005-2006 PERFORMANCE PLAN FOR RECENTLY APPOINTED SENIOR PORTFOLIO MANAGER, CORPORATE GOVERNANCE (SECOND READING)

As an action item, Ms. O'Brien presented, for second reading, the performance plan for the recently appointed SIO, Corporate Governance. There have been no changes to the performance plan since the first reading. However, changes to the duty statement, recommended by the Committee at the last meeting, have been incorporated.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** the Committee approved the Second Reading of the 2005-2006 Performance Measures for the Senior Portfolio Manager, Corporate Governance.

AGENDA ITEM 6 –2005-2006 PERFORMANCE PLAN FOR RECENTLY APPOINTED PORTFOLIO MANAGER, REAL ESTATE (FIRST READING)

As an action item, Ms. O'Brien presented the initial reading of the 2005-2006 performance measures for the Portfolio Manager, Real Estate.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED** the Committee approved the first reading of the 2005-2006 Performance Measures for the Portfolio Manager, Real Estate.

AGENDA ITEM 7 – INTRODUCTION OF EXECUTIVE COMPENSATION CONSULTANT AND DISCUSSION OF BIENNIAL SALARY SURVEY

As an informational item, Ms. O'Brien reported that the firm of Watson Wyatt Worldwide will begin preparing the 2006 biennial salary survey. The data will be collected during February and March and will be presented to the Committee in April or May. Rick Beal and Ann

Costelloe from Watson Wyatt spoke briefly on the salary survey, trends in the marketplace, and incentive design.

AGENDA ITEM 8 – HUMAN RESOURCES DIVISION REPORT

There was nothing to report at this time.

AGENDA ITEM 9 - PROPOSED APRIL 2006 AGENDA

The proposed agenda was approved.

AGENDA ITEM 10 - PUBLIC COMMENT

There was no public comment.

The next Performance and Compensation Committee meeting will be held on Friday, April 14, 2006 in Sacramento, California.